

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
FARMDALE WATER DISTRICT)	2017-00430

ORDER

On November 6, 2017, Farmdale Water District ("Farmdale") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Farmdale reported a water loss of 39.1626 percent.² Farmdale's application provides updated purchases and sales information for a more current period than the 2016 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,³ Farmdale's unaccounted-for water loss is determined to be 38.2546 percent for the updated period.⁴

¹ KRS 278.015; 807 KAR 5:068.

² Annual Report of Farmdale Water District to the Public Service Commission for the Calendar Year Ended December 31, 2016 ("2016 Annual Report") at 56.

³ 2016 Annual Report, line 21, divided by line 4, (51 divided by 248,472) equals 0.02 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	245,078,000
Less Total Sales (application PWA Form 1 at 2)	151,274,000
Less plant use (% determined from 2015 AR)	<u>50,303</u>

Reduction of Farmdale's unaccounted-for water loss to 15 percent would result in an approximate \$156,728⁵ decrease to purchased water expense. Potentially, Farmdale is paying \$1.04 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Farmdale to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Farmdale to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Farmdale purchases water from the Frankfort Electric & Water Plant Board ("Frankfort").
2. Frankfort notified Farmdale that its wholesale rate would increase from \$2.45 per 1,000 gallons to \$2.55 per 1,000 gallons effective November 1, 2017.⁷ Farmdale proposes to increase the water rates to its customers effective December 1, 2017 to reflect the increased cost of purchased water from Frankfort.

Water loss - gallons	93,753,697
Water loss - percent	38.2546

⁵ Water loss above 15 percent is 23.2546 percent, Potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$156,728

⁶ Potential purchased water expense reduction divided by sales (\$156,728/(151,274,000/1,000) equals \$1.04/1,000.

⁷ See Case No. 2014-0254, *Proposed Adjustment of the Wholesale Water Service Rates of Frankfort Electric and Water Plant Board*, Parties Joint Settlement Stipulation and Recommendation (filed Oct. 10, 2014).

3. Farmdale proposed a purchased water adjustment factor of \$0.17 per 1,000 gallons.

4. During the 12 months ended August 31, 2017, Farmdale purchased 245,078,000 gallons of water from Frankfort. During the same period, Farmdale sold 151,274,000 gallons of water. The increase in the cost of purchased water is \$24,507.80, resulting in a purchased water adjustment factor of \$0.17 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.17 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Farmdale's proposed rates, as set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for water service rendered by Farmdale on and after December 1, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.17 per 1,000 gallons is approved.

2. The rates as set forth in Appendix B to this Order are approved for water service rendered by Farmdale on and after December 1, 2017.

3. Within 20 days of the date of this Order, Farmdale shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission

ENTERED
DEC 04 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2017-00430

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2017-00430 DATED **DEC 04 2017**

	New Rate	Base Rate
Frankfort		
Purchases in Gallons	245,078,000	245,078,000
Wholesale rate	<u>\$ 2.55/1,000</u>	<u>\$ 2.45/1,000</u>
Total	\$624,948.90	\$600,441.10
Purchases in Gallons	245,078,000	245,078,000
Frankfort KRA fee	<u>\$ 0.20/1,000</u>	<u>\$ 0.20/1,000</u>
Total	\$49,015.60	\$49,015.60
Total Cost	\$673,964.50	\$649,456.70
Increased water cost		\$ 24,507.80
Increased water cost		\$ 24,507.80
Divided by gallons sold/1,000		<u>151,274,000</u>
Purchased water adjustment factor		\$ 0.162 per 1,000 Gallons
		or \$ 0.17 per 1,000 Gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00430 DATED **DEC 04 2017**

The following rates and charges are prescribed for the customers in the area served by Farmdale Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8-Inch x 3/4 Meter

First	2,000 Gallons	\$17.92 Minimum Bill
Next	3,000 Gallons	5.96 per 1,000 Gallons
Next	5,000 Gallons	5.50 per 1,000 Gallons
Over	10,000 Gallons	5.02 per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$35.80 Minimum Bill
Next	5,000 Gallons	5.96 per 1,000 Gallons
Next	140,000 Gallons	5.50 per 1,000 Gallons
Over	150,000 Gallons	5.02 per 1,000 Gallons

4-Inch Meter

First	50,000 Gallons	\$264.10 Minimum Bill
Next	50,000 Gallons	5.96 per 1,000 Gallons
Next	50,000 Gallons	5.50 per 1,000 Gallons
Over	150,000 Gallons	5.02 per 1,000 Gallons

*Farmdale Water District
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*Clifford Toles
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